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August 19, 2008

AGENDA ITEM 4b

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

I.   SUBJECT: Proposed e-Prescribing Project in the Self-Funded
                             Plan

II.   PROGRAM: Health Benefits

III.   RECOMMENDATION: Information Only

IV.   ANALYSIS:

Background

In 2007 CalPERS began meeting with its Health Plan Partners (Anthem Blue
Cross, Blue Shield of California and Medco Health) to discuss possible
opportunities for CalPERS to provide leadership in the adoption of e-Prescribing.
The goal is for CalPERS members to be at the front of e-Prescribing and begin to
enjoy its benefits early. CalPERS and our Health Plan Partners collectively are
developing a list of potential medical groups or a region to possibly conduct a
demonstration pilot. We hope to leverage the strength of our coalition to gain
collaboration with physicians, pharmacies and patients for the pilot project.

Charles Kennedy, MD, VP Health Information Technology at Wellpoint and past
board member of CalRHIO will present current activities in e-Prescribing and how
CalPERS can achieve the adoption of e-Prescribing for our members.

e-Prescribing Description

e-Prescribing is the computer-based electronic transmission of prescriptions
between health care professionals and pharmacies. Electronic prescribing
enables a physician to transmit a prescription electronically to a patient's
pharmacy of choice. It decreases prescription errors caused by hard-to-read
handwriting and automates the process of checking for drug interactions and
allergies. Not only is this easier than paper prescriptions, but it also can improve
patient safety and increase efficiency.

An e-Prescribing system allows health care professionals to:
Prescriber-Payer Interactions
- check medication history
- review payer covered drug lists
- check recommended dosage
- check patient drug allergies
- review drug interaction alerts

Prescriber-Pharmacy Interactions
- send a prescription
- check to see if the medication has been picked up at the pharmacy
- Pharmacies can also communicate with health care professionals through e-Prescribing systems.

e-Prescribing ensures that the medication prescribed is the safest and most effective choice for the patient.

National Initiatives
A National e-Prescribing program could reduce national healthcare costs by $2.9 billion by reducing medication errors, decrease pharmacy costs, and increasing efficiency. "It saves lives. It saves money and it's time," Health and Human Services Secretary Mike Leavitt told lawmakers at a recent budget hearing.

In April, The Centers for Medicare and Medicaid Services (CMS) issued new regulations establishing Part D e-Prescribing standards for four types of information.
- Formulary and benefits
- Medication refill
- Fill status notification
- Identification of individual health care providers

The Medicare Improvements for Patients and Providers Act of 2008 states:
- Physicians will receive a bonus of 2% of their total Medicare billings if they have e-Prescribing in 2009 and 2010.
    o 2011 and 2012 - 1% increase
    o 2013 - 0.5% increase
- Physicians who do not adopt, fee schedule reductions by:
    o 2012 - 1% reduction
    o 2013 - 1.5% reduction
    o 2014 and ongoing - 2% reduction

In December, Senator John Kerry (D-Massachusetts) introduced a bill that would require physicians who treat Medicare patients to use e-Prescribing, starting January 1, 2011. Currently, this bill has drawn wide-spread bi-partisan support but remains in committees for consideration. The bills, Senate Bill 2408 and House Resolution 4296, (at the THOMAS Web site, type "S 2408" or "HR 4296" in the search box after selecting "Bill Number") respectively, include provisions

for grants to physicians to help with the start-up costs of acquiring and implementing e-Prescribing systems.

Ford Motor Company reported saving $3 million last year after buying electronic prescribing software for physicians in its employee health network.   The savings mainly came from higher use of generic drugs, which rose to 70 percent from 55 percent.

<u>State of California Initiatives</u>
Health Information Technology (HIT) is a cornerstone of Governor Schwarzenegger's comprehensive health care reforms.
The Governor supports HIT to enhance patient safety and reduce medical errors.
In January 2007 the Governor proposed health care reforms that include:
  o Requiring e-Prescribing by all providers by 2010.
  o Supporting standardized Personal Health Records.
  o Implementing Electronic Medical Records in counties for mental health systems.
  o Supporting HIT adoption through public/private HIT partnerships recommended by a State HIT Financing Advisory Committee.
  o Accelerating HIT implementation by leveraging state purchasing power and supporting uniform HIT interoperability standards.
  o Expanding broadband capabilities to support tele-medicine, tele-health and e-health programs.

V.   STRATEGIC PLAN:

This item supports Health Goal X: "Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers."

VI.   RESULTS/COSTS:

This is an information item only.

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Gregory A. Franklin
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Health Benefits Branch

Attachment